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NEWS RELEASE

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PSC APPROVES LG&E AND KU ENERGY AID PROGRAMS

Commission permits differences in programs for each utility

FRANKFORT, Ky. (Nov. 24, 2004) – The Kentucky Public Service Commission (PSC) has approved financial assistance programs for low-income customers of Louisville Gas & Electric Co. (LG&E) and Kentucky Utilities Co. (KU).

In orders issued today, the PSC said LG&E, KU and the participating social service agencies had provided adequate explanations for why the differences in the two programs could not be reconciled without delaying the programs beyond the current heating season.

The PSC, in a Sept. 30, 2004 order, asked for an explanation of the differences but allowed the utilities to begin collecting a monthly charge of 10 cents per residential electric and gas meter to fund the assistance programs.

The utilities, subsidiaries of LG&E Energy LLC, may begin distributing funds to low-income customers beginning Dec. 1. The home energy assistance (HEA) programs will remain in effect on a trial basis for three years.

LG&E estimated its program would provide \$840,000 in aid to 900 households each year. The KU program is projected to raise \$1.3 million a year, to be distributed to 1,300 households.

The KU program will provide a fixed subsidy of \$294 per year, in seven monthly installments of \$42 each, to customers who use electric heat. LG&E subsidies will be based on a participant's income and energy usage.

LG&E has about 384,000 electric customers and nearly 312,000 natural gas customers in 16 counties in the Louisville area. KU serves about 477,000 electric customers in 77 Kentucky counties.

The PSC determined that differences in the programs are due to differences in accounting and billing systems at the utilities and the social service agencies administering the programs, rather than demographic differences in the two service territories. Trying to bring the programs into line with each other could delay assistance during the current heating season, the PSC said.

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The PSC ordered one change in a provision of the LG&E program that allows customers to use the subsidy to reduce past-due amounts. LG&E wanted a maximum of \$1,500 in arrearage payments. The PSC reduced it to \$700. There is no arrearage provision in the KU program. KU customers may use the assistance only to pay their current bill.

Both programs require participants to take advantage of any available weatherization assistance. Eligibility is restricted to households with gross income no greater than 110 percent of federal poverty guidelines. The maximum this year would be about \$20,700 for a family of four.

A report on the effectiveness of the programs is to be filed with the PSC by Feb. 28, 2007. Annual audit reports also are required.

Home energy assistance programs were included in an agreement that settled most of the issues in the rate increase applications filed by LG&E and KU earlier this year. The programs were supported by several groups representing low-income ratepayers, including the Metro Human Needs Alliance, People Organized and Working for Energy Reform, the Council for Community Action for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties and the Kentucky Association for Community Action, as well as the Kentucky attorney general and the two utilities.

In today's orders, the PSC again expressed disappointment that funding for the programs did not include a shareholder contribution as well as the charge on residential customers. The PSC noted it has no authority to order a shareholder contribution.

The utilities' voluntary support of "other assistance programs is commendable, but it differs significantly from what (KU and LG&E) residential customers are asked and required to do," the PSC said. The utilities benefit directly from the HEA programs because the funds collected from residential ratepayers are applied to otherwise uncollected utility bills, and therefore the companies should be willing to set an example as good corporate citizens by making a financial contribution, the PSC said.

Today's orders, as well as related case documents, are posted on the PSC Web site, which is psc.ky.gov. The case numbers are 2004-00304 (LG&E) and 2004-00303 (KU).

The PSC is an agency within the Environmental and Public Protection Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in the Commonwealth of Kentucky. The PSC has approximately 110 employees.